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SUBJECT: CAFTA-DR Update

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Summary

11. The global economic crisis continues to have a negative impact on trade between the United States and Nicaragua. As the U.S. economy recovers, the decline in Nicaraguan exports has slowed. Other factors, such as the drought caused by the El Niño climatic phenomenon and problems with international port access, have also taken their toll on U.S. - Nicaraguan trade. In addition, the government of Nicaragua is promoting trade with Venezuela perhaps at the expense of trade with the United States.

Nicaraguan Exports to the United States Show Moderate Decline

12. The United States International Trade Commission (USITC) reports that overall Nicaraguan exports to the United States from January to Septe

U.S. Exports to Nicaragua Down Sharply

13. U.S. exports to Nicaragua fell sharply this year, down by 31.8% when compared to 2008. The largest category of U.S. exports to Nicaragua is

Textile and Apparel Manufacturers Hoping for U.S. Recovery

14. U.S. demand for Nicaraguan-assembled apparel has decreased by 7.9% when compared to last year. Textiles and apparel represent the largest p

Mixed Results for Agricultural Exports

15. The drought caused by El Niño has hurt some agricultural exports, while others are performing well (ref. A). Sorghum producers, for exan

16. On a positive note, producers of several agricultural commodities are doing well. The only two Nicaraguan exports that have experienced grc

Bonanza

17. Industry experts predict an increase in gold exports in 2009, as record-high commodity prices have provided incentive for increased mining production in Nicaragua. Sergio Rios, President of the Nicaraguan Chamber of Mining (CAMINIC), asserted that gold will become one of the country's top income generators, and he estimated that 2009 will end with gold exports valued between \$90 million and \$100 million, a significant increase from last year's \$83.6 million. The top markets for Nicaraguan gold are the United States and Canada.

Lack of Port Access Hurts Nica Exports

18. Lack of access to international ports has been an ongoing constraint for Nicaraguan exporters and importers. The Nicaraguan Association of Growers and Exporters (APEN) is actively advocating for improved infrastructure and access at the Rama Port on the Atlantic Coast. Azucena Castillo, Director of APEN, told Econoff that it is vital to develop this option for maritime cargo because Nicaragua is overly dependent on Puerto Cortés in Honduras (ref. B). The political crisis in Honduras and the recent trade dispute between El Salvador and Honduras have temporarily shut down highways and caused delays and losses of perishable goods for Nicaraguan exporters and importers. These developments have underscored the need for Nicaraguans to have independent port access for their products to be shipped to and from international markets.

GON and ALBA

19. The GON's policy of support for exports to Venezuela, rather than allowing market prices to influence trade flows, may have resulted in trade diversion and a decrease in the volume of goods going to the United States. Businesses have reported clear government favoritism for products heading to countries in the Bolivarian Alliance for the Americas (ALBA), especially Venezuela. Clean property titles, expedited sanitary permits, and concessional financing are all offered to farmers and ranchers who agree to sell their products to ALBA countries (ref. C). Exports to Venezuela, most notably beef, live cattle, dairy, and beans, have increased dramatically in the last year because of government incentives. According to the data compiled by the Center for Export Transactions (CETREX), exports to Venezuela have already exceeded

\$102 million in the first ten months of 2009, up from \$32.7 million in all of 2008.

Comment

[10](#). Despite the decline in 2009, Nicaraguan exports to the United States appear ready to rebound in 2010. The economic policies of the Ortega CALLAHAN